

# **Mechanics of a School District Budget**

A Guide to  
Understanding the Illinois School District  
Budget Process

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## Introduction

The *Mechanics of a School District Budget* handbook describes the formatting and reporting requirements of the Illinois school district annual budget. This handbook explains budgetary components and accounting terms for individuals who want to know more about how public school dollars are estimated to be received and spent. The intent is to provide an overall summary of the school district budgeting process.

This handbook is not a “stand alone” document and the issues discussed also relate directly to the following:

- (1) The *Illinois Compiled Statutes* (ILCS);
- (2) The *Illinois Program Accounting Manual (IPAM)* which is the basis for the requirements of school district accounting and reporting;
- (3) The *State, Local and Federal Financing for Illinois Public Schools* (an ISBE publication); and
- (4) The *School District Annual Financial Report (ISBE Form 50-35)* which is the independent audit required for all Illinois public school districts.

The importance of clear, reliable and understandable budgetary information cannot be overstated. Once adopted, the annual school district budget is the plan that will be used to accomplish the financial goals of the local board of education.



The *Mechanics of a School District Budget* handbook is focused toward school districts in cities under 500,000 inhabitants. The budget and appropriations for school districts in cities with more than 500,000 inhabitants are governed by Sections 34-42 through 34-82 of the *Illinois School Code* (105 ILCS 5/34-42 through 105 ILCS 5/34-82). ILCS refers to the *Illinois Compiled Statutes*. The *Illinois School Code* is Chapter 105 and may also be found as a separate publication. Contact the Illinois Association of School Boards, 430 Vine Street, Springfield, Illinois, for details on obtaining a copy.

Where educational services are provided under a joint agreement, the governing board, Regional Superintendent, or Board of Education responsible for joint agreement administration must adopt an annual budget by **September 1<sup>st</sup>** of the fiscal year. The adoption and content of the joint agreement budget follow requirements similar to those for school districts as provided for in Section 17-1 of the *Illinois School Code* (105 ILCS 5/17-1).

Vocational Education Regional Delivery Systems (Education for Employment Regional Delivery Systems) use the same budget forms and have the same adoption deadline requirements as do joint agreements.

## Table of Contents

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|   |    |
|---|----|
| Introduction .....  | 2  |
| A Guide to Understanding the Illinois School District Budget Process .....                    | 4  |
| What Purpose Does the Budget Serve? .....   | 4  |
| What Must a Board of Education Do in Order to Adopt a Budget? .....                           | 5  |
| - Tentative Budget and Public Notice Requirements .....                                       | 5  |
| - Adopted Budget Filing Requirements .....  | 5  |
| - Posting of the Annual Budget on the Web Site .....  | 6  |
| - Line Item Transfers .....   | 6  |
| - Budget Amendments .....   | 7  |
| What Are the Key Factors in the School District Budget? .....                                 | 8  |
| - Fund .....  | 8  |
| - ISBE Budget Form - Part I Estimated Receipts/Revenue .....                                  | 10 |
| - ISBE Budget Form - Part II Estimated Disbursements/Expenditures .....                       | 11 |
| - ISBE Budget Form - Part III Budget Summary .....  | 13 |
| - ISBE Budget Form - Part IV Summary of Cash Transactions .....                               | 15 |
| What Is the Illinois Program Accounting Manual (IPAM)? .....                                  | 17 |
| What Monies May Be Transferred From One Fund To Another? .....                                | 18 |
| What Are The Short-Term Debt/Borrowing Limitations? .....                                     | 23 |
| What Is The Limitation of Administrative Costs? .....   | 29 |
| Exhibit 1- School District Budget Form   (Cover Page) .....                                   | 31 |
| Exhibit 2- School District Budget Form   (Parts I & II) .....                                 | 33 |
| Exhibit 3 - School District Budget Form   (Parts III & IV) .....                              | 34 |
| Exhibit 4 - Limitation of Administrative Costs Worksheet .....                                | 36 |
| Exhibit 5 - Procedures for Preparing the Annual Budget .....                                  | 37 |
| - Establishing Fiscal Year .....  | 37 |
| - Designation of a Person or Persons to Prepare Tentative Budget.....                         | 37 |
| - Notice of the Availability of Tentative Budget for Public Inspection and Public Hearing.... | 37 |
| - Adoption of Annual Budget .....   | 38 |
| - New Provision, effective July 1, 2006 (April 2006).....                                     | 38 |
| - Budgeting Reminders .....   | 40 |
| - Common Budget Problems .....  | 41 |
| Hints to the School District Budget.....  | 42 |
| Glossary .....  | 43 |
| References .....  | 46 |

## The Mechanics of a School District Budget

### A Guide to Understanding the Illinois School District Budget Process

The *School District Budget Form (ISBE 50-36)* is a standardized document designed to meet the budgetary requirements established under provisions of the Section 17-1 of the *Illinois School Code* (105 ILCS 5/17-1).

The annual budget is adopted by all public elementary, secondary and unit school districts and includes all funds, that when taken as a whole, set the plan for accomplishing the financial goals of the local board of education. All budgets must be entered (and adopted) on the budget form prepared and provided by the Illinois State Board of Education (ISBE).

Budgets, at a minimum, must also contain a statement of the year's beginning and ending cash and estimated cash receipts and disbursements for the budget year. Specific requirements as to the budget form are enumerated in state statutes and in guidelines provided by ISBE.

The *School District Budget Form (ISBE 50-36)* includes four parts:

- Part I Estimated Receipts/Revenues
- Part II Estimated Disbursements/Expenditures
- Part III Budget Summary
- Part IV Summary of Cash Transactions

### What Purpose Does the Budget Serve?

The budget is designed to:

- Satisfy a minimum level of financial/program information for state, local and federal governments;
- Provide both expending and taxing authority; and
- Meet requirements imposed by Illinois law.

# What Must a Board of Education Do in Order to Adopt a Budget?

## Tentative Budget and Public Notice Requirements

Illinois law requires certain procedures a board of education must follow to adopt (approve) an annual budget. These actions include:

- The designation of an individual(s) to develop the budget in tentative form. The tentative budget includes revenues and expenditures that are anticipated during the fiscal year and contains a statement of the estimated cash expected to be on hand at the beginning and end of the fiscal year.
- The secretary of the board of education publishes a notice of where, when and during what hours the tentative budget will be on display for public inspection and where, when and at what time the budget hearing will be held. The tentative budget must be on display for at least 30 days prior to the budget hearing. It shall be the duty of the secretary of the district board to make the tentative budget available for public inspection, and arrange for the budget hearing.
- Prior to taking final action on the budget, the school board must hold at least one budget hearing. The details of the tentative budget are explained during the hearing and the public may ask questions or provide input on the tentative budget.
- The budget is voted on and adopted (or rejected) by the board of education at a public meeting held after the budget hearing.
- The school district budget must be adopted by the end of the first quarter of the fiscal year (September 30).



See Exhibit 5

## Adopted Budget Filing Requirements

Section 18-50 of the *Property Tax Code* (35 ILCS 200/18-50) requires the governing authority of each school district to file with the county clerk within 30 days of adoption certified copies of its appropriation and budget ordinances or resolutions. If the governing authority fails to file the required documents, the county clerk has the authority, after giving timely notice of the failure to the school district, to refuse to extend the tax levy until the documents are so filed.

Regional Offices of Education (ROE) should communicate with their member districts if the ROE still wishes to receive copies of district budgets.



In accordance with Section 1A-8 of the *Illinois School Code* (105 ILCS 5/1A-8), districts certified to be in financial difficulty must submit a copy of their entire tentative budget that is put on display for public inspection. After local school board approval, a certified school district must submit a copy of the entire adopted budget to the Illinois State Board of Education. Annual budgets of districts certified in financial difficulty must be consistent with the financial plans approved by the Illinois State Board of Education.

## Posting of the Annual Budget on the Web Site

Section 17-1.2 of the *Illinois School Code* (105 ILCS 5/17-1.2) requires school districts with web sites to do two things:

- (1) post the current budget, itemized by receipts and expenditures, on their website
- (2) notify parents/guardians that the budget has been posted and the address of the website.

For many districts, the *School District Budget Form (ISBE 50-36)* contains all the information necessary to comply with this requirement. The easiest way to use this official form is to post it on the website by creating a link to a copy of it. The budget form can be converted to Adobe's PDF format and posted that way if districts have the necessary software. The form can not be converted directly to the web's native language of HTML because it is password protected.

ISBE recommends school districts publish the budget when it is adopted at the beginning of the school year. Although it is not required by this law, ISBE encourages districts to publish any adopted amendments to the budget as they occur. This will ensure the public has access to the most recent budget plan.

In the case of notification, a student newspaper, a parent-teacher publication, or a similar publication may be used. Districts may also include the website information in a mail out to parents and guardians. Publishing a simple notice in a widely distributed local newspaper is yet another option. The main goal is ensuring that the notification reaches parents and guardians as required by law.

## Line Item Transfers

The board of education may from time to time, by Board Resolution, make transfers between various items in **any one fund** so long as transfers do not exceed in the aggregate 10% of the total of such fund as set forth in the budget.



**Example:** Educational Fund Budget = \$1,000,000 x 10% = \$100,000

- ✓ *Transfer \$65,000 from Function 6000 Provision for Contingencies to Function 1000 Instruction*
- ✓ *Transfer \$35,000 from Function 6000 Provision for Contingencies to Function 4000 Nonprogrammed Charges*

The total of both transfers equals 10% of the Educational Fund Budget. If the board of education wants to make another transfer from Function 6000, the board must follow the original budget adoption process.

## **Budget Amendments**

The board may from time to time amend such budget by the same procedure as for the budget's original adoption. These requirements include:

- Post notice of budget hearing & availability of Budget for public inspection for at least 30 days prior to budget hearing.
- Adopt amended budget at a public meeting held after the budget hearing.
- Post amended budget on the District Web page (if applicable).



**Example:** During the school year three pupils requiring special education services, move into the district. Since the district does not provide the required services, the district must pay tuition to another school district or special educational cooperative that can provide the required services.

The tuition charge for these three pupils is estimated to be \$35,000. The district's original budget has sufficient revenues and administration does not anticipate any further expenditure increases during the fiscal year. The original budget must be amended to reflect the \$35,000 tuition estimated to be paid prior to June 30.

The board is required to follow one of two budgetary procedures to reflect the tuition payments in the Educational Fund.

- ✓ **If a change in the budget could be accomplished by making transfers between various line items that do not exceed in the aggregate 10% of the total Educational Fund budget, a transfer (by board resolution) would be the appropriate course of action.**
- ✓ **If a change in the budget results in estimated (total) expenditures greater than the initially adopted budget for the Educational Fund, a formal amendment is necessary. This amendment would require the same procedures as original budget adoption.**

See Exhibit 5

## What Are the Key Factors in the School District Budget?

Each year, the budget is entered/adopted on the *School District Budget Form (ISBE 50-36)* provided by ISBE. The budget once adopted by the local board of education, specifies the function and object of expenditures and the revenue necessary to meet estimated expenses and liabilities. All school district accounts are identified by fund.



The *School District Budget Form* may be downloaded from the ISBE website at [www.isbe.net](http://www.isbe.net).

### Fund

The school district's accounting records, budget and financial report are organized and reported on a fund basis.

A fund is established for specific activities and objectives and is operated in accordance with laws, regulations, restrictions or other designated purposes.

Each fund is a separate and independent accounting entity with its own assets, liabilities and fund balance.

The number of funds created depends on the school district's operations, rather than size. Nine major funds are listed on the *School District Budget Form (ISBE 50-36)*.

The following account codes/definitions are provided in the *Illinois Program Accounting Manual* and are used to designate the nine major funds:

|    |  |
|----|--|
| 10 | Educational                              |
| 20 | Operations & Maintenance                 |
| 30 | Bond & Interest                          |
| 40 | Transportation                           |
| 50 | Municipal Retirement/Social Security     |
| 60 | Site & Construction/Capital Improvements |
| 70 | Working Cash                             |
| 80 | Rent                                     |
| 90 | Fire Prevention & Safety                 |

### **Educational Fund (10)**

The most varied and the largest volume of transactions will be recorded in the Educational Fund. This is due most because the Educational Fund covers transactions that are not specifically covered in another fund. Certain expenditures that must be charged to this fund include the direct costs of instructional, health and attendance services, lunch programs, all costs of administration (even those for buildings and grounds), and related insurance costs. Certain revenues that must be credited to this fund include educational tax levies, tuition and textbook rentals.



The salaries of janitors, engineers, and other custodial employees and all costs of fuel, lights, gas, water, telephone service, and custodial supplies and equipment shall be charged to this fund. The school board may approve, by resolution, to charge to the Operations and Maintenance Fund all salaries of janitors, engineers, or other custodial employees and all costs of fuel, lights, gas, water, telephone service, and custodial supplies and equipment or any one or more of these items, per Section 17-7 of the *Illinois School Code* (105 ILCS 17-7).

#### **Operations and Maintenance Fund (20)**

All costs of maintaining, improving, or repairing school buildings and property, renting buildings and property for school buildings shall be charged to the Operations and Maintenance Fund.

#### **Bond and Interest Fund (30)**

Bonds are generally issued to finance the construction of buildings, but may also be issued for other purposes. Taxes are levied to provide cash to retire these bonds and to pay the interest on them. To protect the bondholders, these tax collections must be accounted for in the Bond and Interest Fund. School districts must maintain a separate bond and interest fund for each bond issue.

#### **Transportation Fund (40)**

If a school district pays for transporting pupils for any purpose, the Transportation Fund must be created. Costs of transportation, including the purchase of vehicles and insurance on buses, are to be paid from this fund. Moneys received for transportation purposes from any source must be deposited into this fund, except for the portion of state reimbursement applicable to other funds (e.g., utility costs from the Operations and Maintenance Fund) as provided in Section 29-5 of the *Illinois School Code* (105 ILCS 5/29-5).

#### **Municipal Retirement/Social Security Fund (50)**

This fund is created if a separate tax is levied for the purpose of providing resources for the school district's share of retirement benefits for covered employees or a separate tax is levied for the purpose of providing resources for the district's share of Social Security and Medicare only payments for covered employees. If these two taxes are not levied, the payments shall be charged to the fund where the salaries are charged.

#### **Site and Construction Fund (60)**

All of the proceeds of each construction bond issue (other than Fire Prevention and Safety) shall be placed in a Site and Construction Fund to separate these special funds from operating funds. These moneys are to be spent for the purpose specified in the bond indenture and on the ballot.

Expenditures which would ordinarily be charged to the Educational Fund, but which may be charged to the Site and Construction Fund (unless paid before the Site and Construction Fund is created), include election expenses, fidelity insurance, architect's fees, legal fees for title search on sites, fees for the legal opinion on the bonds, and

other such administrative costs directly related to the construction project or issuance of bonds.

Expenditures which would ordinarily be charged to the Operations and Maintenance Fund, but which may be charged to the Site and Construction Fund (unless paid before the Site and Construction Fund is created), include the actual construction costs, builder's risk insurance, purchase of land and other site costs, landscaping, parking lots, sidewalks, utility connections, etc., and other items directly related to the construction project.

A Capital Improvement Fund is created when a tax is levied in accordance with Section 17-2 of the *Illinois School Code* (105 ILCS 5/17-2). The moneys received from such levy shall be accumulated until spent for the capital improvements described in the resolution and on the ballot, per Section 17-2.3 of the *Illinois School Code* (105 ILCS 5/17-2.3).

#### **Working Cash Fund (70)**

If a separate tax is levied for working cash purposes or if bonds are sold for this purpose, this fund shall be created. Cash available in this fund may be loaned to any fund for which taxes are levied.

#### **Rent Fund (80)**

When a tax is levied to provide revenue for paying rent to the State of Illinois Capital Development Board (CDB) for a state-owned school building, the receipt of taxes shall be recorded in the Rent Fund. The payment of the rent shall be an expenditure of this fund.

#### **Fire Prevention and Safety Fund (90)**

When a tax is levied or bonds issued for fire prevention, safety, energy conservation and school security purposes, such proceeds shall be deposited and accounted for separately within the Fire Prevention and Safety Fund. The .05% levy is to be made only when there are not sufficient funds available in either the district's Operations and Maintenance Fund or the Fire Prevention and Safety Fund as determined by the district on the basis of regulations adopted by the Illinois State Board of Education to make such alterations, repairs, or reconstruction, or to purchase and install such permanent fixed equipment ordered or determined necessary.

### **ISBE Budget Form - Part I Estimated Receipts/Revenue**

#### **Revenues**

Revenues are the monies estimated to be received by the school district that do not create an offsetting liability (debt/obligation to repay). The district will need to annually consider each fund's four major categories:

- **Local Revenue** - 1000 Series Account Number  
*Revenue earned within the boundaries of the district.*

- **Flow-through Revenue** - 2000 Series Account Number  
*Revenue received for specific grant purposes for transfer to another district/joint agreement.*
- **State Revenue** - 3000 Series Account Number  
*Revenue from funds collected by the state and distributed to the district.*
- **Federal Revenue** - 4000 Series Account Number  
*Revenue from funds collected by the Federal Government and distributed to the district (either directly or through the state).*

### Other Financing Sources

Other financing sources are estimated non-revenue receipts which may or may not increase the total combined fund balance. All other financing sources are recorded, by fund, in the 7000 series of accounts:

- **Transfers from Other Funds** - 7100 Series Account Number
- **Sale of Bonds** - 7200 Series Account Number
- **Sale or Compensation for Fixed Assets** - 7300 Series Account Number
- **School Technology Revolving Loan** - 7500 Series Account Number
- **Other Sources** - 7900 Series Account Number

## ISBE Budget Form - Part II Estimated Disbursements/Expenditures

### Expenditures

Expenditures are charges estimated to be incurred during the fiscal year. The school district will need to consider fund, function and object classifications when determining expenditures.

#### Functions:

- **Instruction** - 1000 Series Account Number  
*The teaching of pupils or the interaction between teacher and pupils.*
- **Support Service** - 2000 Series Account Number  
*Services which provide administrative, technical, and logistical support to facilitate and enhance instruction.*
- **Community Services** - 3000 Series Account Number  
*Services provided by the district for the community as a whole or some segment of the community.*
- **Nonprogrammed Charges** - 4000 Series Account Number  
*Payments to other districts/joint agreements.*

- **Debt Services** - 5000 Series Account Number  
*Payments for specific debt service activities.*
- **Provision for Contingencies** - 6000 Series Account Number  
*Not an account for recording entries, but the number would be used in the budget as a means of identifying contingency provisions.*

#### **Objects:**

- **Salaries** - 100 Object Number  
*Gross salary for personal services rendered while on the payroll of the district.*
- **Employee Benefits** - 200 Object Number  
*Fringe benefits paid by the district on behalf of the employee.*
- **Purchased Services** - 300 Object Number  
*Amounts paid for personal services rendered by personnel who are not district employees, and other services which the district may purchase.*
- **Supplies and Materials** - 400 Object Number  
*Amounts paid for material items of an expendable nature.*
- **Capital Outlay** - 500 Object Number  
*Amounts paid for the acquisition of fixed assets or additions to fixed assets.*
- **Other Objects** - 600 Object Number  
*Amounts for goods and services not otherwise classified above.*
- **Transfers** - 700 Object Number  
*This object does not represent an expenditure: rather, it shows that funds have been transferred in some manner.*
- **Tuition** - 800 Object Number  
*Amounts to reimburse other educational agencies for services rendered to students residing within the district boundaries.*

#### **Other Financing Uses**

Other financing uses are estimated non-expenditure disbursements that may or may not decrease the total combined fund balance. All other financing uses are recorded, by fund, in the 8000 series of accounts:

- **Transfers to Other Funds** - 8100 Series Account Number
- **Other Uses** - 8190 Series Account Number

## **ISBE Budget Form - Part III Budget Summary**

The “Budget Summary” shows the estimated change in financial position (fund balance) resulting from the school district’s operations during the fiscal year. This information is summarized from the revenue, expenditure and other financing source/use information in Parts I and II, and estimates whether the district’s financial position will improve or worsen.

### **Estimated (Beginning) Fund Balance**

The estimated fund balance for July 1 shows what the school district owns, by fund, on July 1 (the beginning of the fiscal year). This can be an estimated fund balance from the district’s records as of June 30<sup>th</sup> of the prior fiscal year or can be retrieved from the previous fiscal year’s annual financial report as of June 30<sup>th</sup>.

### **Revenues**

The Revenues section of the Budget Summary summarizes Part I of the budget.

### **Expenditures**

The Expenditures section of the Budget Summary summarizes Part II of the budget.

### **Other Financing Sources (Uses)**

The Other Financing Sources (Uses) section of the Budget Summary summarizes the portions of Parts I and II of the budget that do not relate to revenues or expenditures.

### **Estimated (Ending) Fund Balance**

The estimated fund balance for June 30 shows what a school district owns, by fund, on June 30 (the end of the fiscal year). This estimates the change in equity that will occur as a result of operations during the fiscal year and adjusts the beginning fund balance accordingly.

The Budget Summary can be illustrated as follows:

## Budget Summary

### **Estimated (Beginning) Fund Balance**

*(Part III Budget Summary - Line 1)  
(Prior Year's AFR Form Page 5 – Lines 18 and 19 or Page 8 – Line 42, if available)*

+

### **Revenue/Receipts**

*(Part III Budget Summary - Line 6)*

–

### **Expenditures/Disbursements**

*(Part III Budget Summary - Line 15)*

+

### **Other Financing Sources(Uses)**

*(Part III Budget Summary - Line 26)*

=

### **Estimated (Ending) Fund Balance**

*(Part III Budget Summary - Line 27)*

## **ISBE Budget Form - Part IV Summary of Cash Transactions**

### **Estimated (Beginning) Cash Balance on Hand**

The estimated beginning cash balance on hand is what the school district anticipates for cash on hand plus investments at cost on July 1 of the fiscal year. This amount may not equal the beginning fund balance (Budget Summary - Part III) and **can never be a negative number**.

### **Total Receipts and Other Financing Sources**

The total receipts and other financing sources are what the school district anticipates for cash receipts/other financing sources during the fiscal year. If the district is on a cash basis, this amount will be the same as "Total Receipts/Revenue" plus "Other Financing Sources" (Budget Summary - Part III).

### **Other Receipts**

Other receipts include short-term debt issuances and interfund loan repayments during the fiscal year. Other receipts are the following balance sheet transactions:

- **Loans from Other Funds** - 430 Account Number
- **Loan Repayment from Other Funds** - 150 Account Number
- **Corporate Personal Property Tax Replacement Tax Anticipation Notes Issued** - 406 Account Number
- **Tax Anticipation Warrants Issued** - 407 Account Number
- **Tax Anticipation Notes Issued** - 408 Account Number
- **Teachers' Orders Issued** - 409 Account Number
- **State Aid Anticipation Certificates Issued** - 410 Account Number

### **Total Disbursements and Other Financing Uses**

This line reflects the school district's cash disbursements/other financing uses during the fiscal year. If the district is on a cash basis, this amount will be the same as "Total Disbursements/Expenditures" plus "Other Financing Uses" (Budget Summary - Part III).

### **Other Disbursements**

Other disbursements include short-term debt repayments, interfund loans and interfund loan repayments during the fiscal year. Other disbursements are the following balance sheet transactions:

- **Loans to Other Funds** - 150 Account Number
- **Loan Repayments to Other Funds** - 430 Account Number

- **Corporate Personal Property Replacement Tax Anticipation Notes Redeemed** - 406 Account Number
- **Tax Anticipation Warrants Redeemed** - 407 Account Number
- **Tax Anticipation Notes Redeemed** - 408 Account Number
- **Teachers' Orders Redeemed** - 409 Account Number
- **State Aid Anticipation Certificates Redeemed** - 410 Account Number

### Estimated (Ending) Cash Balance on Hand

The estimated ending cash balance on hand is what the school district anticipates for cash on hand plus investments at cost on June 30 of the fiscal year. This amount may not equal the ending fund balance (Budget Summary - Part III) and **can never be a negative number.**

The Summary of Cash Transactions can be illustrated as follows:

## Summary of Cash Transactions

### Estimated (Beginning) Balance on Hand

*(Part IV Summary of Cash Transactions -- Line 1)  
(Prior Year's AFR Form Page 3 – Lines 1 and 11, if available)*

+

### Total Receipts and Other Financing Sources

*(Part IV Summary of Cash Transactions - Line 2)*

+

### Total Other Receipts

*(Part IV Summary of Cash Transactions – Line 11)*

-

### Total Disbursements and Other Financing Uses

*(Part IV Summary of Cash Transactions -- Line 14)*

-

### Total Other Disbursements

*(Part IV Summary of Cash Transactions - Line 23)*

=

### Estimated (Ending) Balance on Hand

*(Part IV Summary of Cash Transactions - Line 25)*



## What Is the Illinois Program Accounting Manual (IPAM)?

The *Illinois Program Accounting Manual* (IPAM) is a classification system that uses fund and other accounting dimensions to permit a school district to design its chart of accounts. This chart is the list of all accounts generally used by the school district.

The account titles and numbers are assigned so that information is arranged in similar groupings, such as assets, liabilities, revenues, expenditures, etc.

IPAM is used by all public K-12 school districts and provides comparable financial information on a statewide basis. As a school district develops the chart of accounts, it has the option to use additional account codes or dimensions most appropriate for its operations.

ISBE has established the minimum number of accounts that must be used. This accounting corresponds with the coding shown on the *School District Budget Form* (ISBE 50-36), but may be expanded to meet the needs of each school district.

The minimum coding requirements are illustrated below and generate the budgetary accounts and line-items. The optional account dimensions may be used by a school district to expand account code detail further, but are not required by ISBE.

|  |  |
|--|--|
|  | <b>Number of Digits</b><br>↓                     |
| <b>FUND (2 digits)</b><br>(example) Educational Fund   | <b>XX</b><br><b>10</b>                           |
| <b>BALANCE SHEET ACCOUNTS</b><br><b>FUND (2 digits) + BALANCE SHEET ACCT (3 digits)</b><br>(example) Educational Fund Taxes Receivable               | <b>XX + XXX</b><br><b>10 + 110</b>               |
| <b>REVENUE ACCOUNTS</b><br><b>FUND (2 digits) + REVENUE ACCOUNT (4 digits)</b><br>(example) Educational Fund Local Sources                           | <b>XX + XXXX</b><br><b>10 + 1000</b>             |
| <b>EXPENDITURE ACCOUNTS</b><br><b>FUND (2 digits) + FUNCTION (4 digits) + OBJECT (3 digits)</b><br>(example) Educational Fund Instructional Salaries | <b>XX + XXXX + XXX</b><br><b>10 + 1000 + 100</b> |
| <b>Optional Account Dimensions</b>   |  |
| Source of Funds  | Fiscal Year                                      |
| Operational Unit   | Subject Matter                                   |
| Instructional Organization   | Job Class  |
| School Term  | Program  |



See Exhibits 2 and 3

## What Monies May Be Transferred From One Fund To Another?

Throughout this section, “transfer” denotes a permanent, one-time movement of funds. Under the fund accounting required of school districts, the revenues and assets of a given fund are restricted to the purposes of that fund. Under specific circumstances and conditions, monies may be transferred from one fund to another. This section outlines monies permissible for interfund transfers. Transfers require the specific authorization of the local board of education. Districts should also refer to past board resolutions and original bond indenture documents to ensure compliance with any past limitations on transfers of funds.

### Permanent Transfers among Operating Funds

Pursuant to Section 17-2A of the *Illinois School Code* (105 ILCS 5/17-2A), the school board of any district having a population of less than 500,000 inhabitants may, by proper resolution following a public hearing set by the school board or the president of the school board (that is preceded (i) by at least one published notice over the name of the clerk/secretary of the board, occurring at least seven days and not more than thirty days prior to the hearing, in a newspaper of general circulation within the school district and (ii) by posted notice over the name of the clerk/secretary of the board, at least 48 hours before the hearing, at the principal office of the school board or at the building where the hearing is to be held if a principal office does not exist, with both notices setting forth the time, date, place, and subject matter of the hearing), transfer money from:

- (1) The Educational Fund to the Operations and Maintenance Fund or the Transportation Fund;
- (2) The Operations and Maintenance Fund to the Educational Fund or the Transportation Fund; or
- (3) The Transportation Fund to the Educational Fund or the Operations and Maintenance Fund.

Permanent transfers are made solely for the purpose of meeting one-time, nonrecurring expenses. However, transfers made during the period from July 1, 2003 through June 30, 2005 do not have to be made solely for the purpose of meeting one-time, nonrecurring expenses.



Recent legislation deleted a previous requirement that the transfer was not to exceed 20% of the tax actually received in the fund for the year previous to the transfer.

## **Transfer of Interest Earned**

The law prohibits the transfer of interest earned on monies invested for:

- Illinois Municipal Retirement
- Tort Immunity
- Fire Prevention, Safety, Energy Conservation
- School Security
- Capital Improvements purposes

Special provisions apply to the transfer of interest from the Working Cash Fund. (See Working Cash Fund Interest, page 21)

Interest earnings on federal funds are restricted to the purpose(s) for which the funds are received. Interest earnings on federal funds are limited to \$100 per year per project. Excess earning must be returned to the federal government via ISBE.

Section 10-22.44 of the *Illinois School Code* (105 ILCS 5/10-22.44) delineates the general conditions that apply to the interest earned in a fund. Unless prohibited, school boards are permitted to transfer interest earned on the monies in any fund of the district to the respective fund of the district that is most in need of such interest income, as determined by the school board. The transfer is permissible unless the interest earned has been previously earmarked or restricted by the board for a designated purpose.

## **Excess Bond and Interest Fund Monies**

If monies remain in a bond and interest account (fund) and these monies are attributable to earnings on investments, the provisions of Sections 10-22.14 and 10-22.44 of the *Illinois School Code* (105 ILCS 5/10-22.14 and 105 ILCS 5/10-22.44) are applicable. Under these provisions these excess monies may be transferred to the district fund that is most in need of such interest income, as determined by the school board.

If monies remain in a bond and interest account (fund) and these monies are attributable to excess tax proceeds (taxes levied to pay interest on and redeem principal of bonds), there is no authorization to use those monies for any purpose. A district might consider transferring such excess tax proceeds to another bond and interest account (fund) and abating an equal amount of the taxes that will otherwise be levied for that purpose.

## **Bond Premium Treatment**

Pursuant to Section 10-22.14 of the *Illinois School Code* (105 ILCS 5/10-22.14), school districts shall exercise an option with regard to bond premiums. When proceeds from the sale of bonds include a premium, the board shall determine by resolution whether

the premium realized in the sale of bonds is to be used for the purposes for which the bonds were issued, or instead, for payment of the principal and interest on those bonds.

### Treatment of Interest Earned on the Investment of Bond Proceeds

When proceeds from the sale of bonds issued for fire prevention, safety, energy conservation, disabled accessibility, school security and specified repair purposes, as specified in Section 17-2.11 of the *Illinois School Code* (105 ILCS 5/17-2.11), are invested as authorized by law, the board shall determine by resolution whether the interest on the investment of such bond proceeds is to be used for the purposes for which the bonds were issued or for payment of the principal indebtedness and interest on those bonds. When any such transfer is made to the Bond and Interest Fund, the secretary of the school board shall notify the county clerk(s) within 30 days of the amount of the transfer and direct the county clerks(s) to abate the taxes to be extended to make principal and interest payments on those bonds by an amount equal to the transfer, per Section 10-22.14 of the *Illinois School Code* (105 ILCS 5/10-22.14). When bonds are issued for any other purpose and the proceeds are invested as authorized by law, the interest earned on such investments may be transferred in accordance with the provisions of Section 10-22.44 of the *Illinois School Code* (105 ILCS 5/10-22.44).

### Treatment of Excess Bond Proceeds

When bonds other than bonds issued for fire prevention, safety, energy conservation, disabled accessibility, school security and specified repair purposes are issued by any school district and the purposes for which the bonds have been issued are accomplished and paid for in full, excess proceeds of the bonds may be transferred by board resolution to the Operations and Maintenance Fund.

When bonds are issued by any school district for fire prevention, safety, energy conservation, disabled accessibility, school security, and specified repair purposes, as specified in Section 17-2.11 of the *Illinois School Code* (105 ILCS 5/17-2.11), and the purposes for which the bonds have been issued are accomplished and paid for in full, the board, by resolution, shall use any excess funds for:

- Other authorized fire prevention, safety, energy conservation, disabled accessibility, school security, and specified repair purposes as specified in Section 17-2.11 or
- Payment of principal and interest on those bonds through transfer to the Bond and Interest Fund.

If any transfer is made to the Bond and Interest Fund, the secretary of the school board shall notify the county clerk(s) within 30 days of the amount of that transfer and direct the county clerk(s) to abate the taxes to be extended for the purposes of principal and interest payments on the respective bonds issued under Section 17-2.11 by an amount

equal to such transfer, per Section 10-22.14 of the *Illinois School Code* (105 ILCS 10-22.14).

### **Transfer of Excess Fire Prevention and Safety Tax Proceeds**

**W**hen taxes are levied by any school district for fire prevention, safety, energy conservation, disabled accessibility, school security, and specified repair purposes as specified in Section 17-2.11 of the *Illinois School Code* (105 ILCS 17-2.11) and the purposes for which the taxes have been levied are accomplished and paid in full and there remain funds on hand in the Fire Prevention and Safety Fund from the proceeds of the taxes levied, including interest earnings thereon, the school board by resolution shall use such excess and other board-restricted funds excluding bond proceeds and earnings from such proceeds (1) for other authorized fire prevention, safety, energy conservation, disabled accessibility, school security, and specified repair purposes or (2) for transfer to the Operations and Maintenance Fund for the purpose of abating an equal amount of operations and maintenance purposes taxes. If any transfer is made to the Operations and Maintenance Fund, the secretary of the school board shall within 30 days notify the county clerk(s) to abate the taxes to be extended for the purposes of operations and maintenance authorized under Section 17-2 of the *Illinois School Code* (105 ILCS 5/17-2) by an amount equal to such transfer.

### **Working Cash Fund Interest**

**M**onies earned as interest from investment of the Working Cash Fund may be transferred from the Working Cash Fund upon the authority of the school board. A separate resolution must be enacted directing the school treasurer to make such transfer to any other fund of the district. Specific provisions are contained in Section 20-5 of the *Illinois School Code* (105 ILCS 5/20-5).

### **Working Cash Fund Balance to Educational Fund (Abolishment of Working Cash Fund)**

**T**he board of education of any school district may, by resolution, abolish its Working Cash Fund and transfer any balance to the Educational Fund at the end of the fiscal year. Outstanding interfund loans from the Working Cash Fund shall be paid or become payable to the Educational Fund at the end of the fiscal year. Uncollected Working Cash Fund taxes, when collected, must be paid into the Educational Fund (Section 20-8 of the *Illinois School Code*/105 ILCS 5/20-8).

### **"Abatement" of Working Cash Fund**

**S**ection 20-8 of the *Illinois School Code* (105 ILCS 5/20-8) permits a district to abolish its Working Cash Fund and to transfer the balance of the fund to the Educational Fund. Although Section 20-8 does not mention abatement of the fund, Section 20-9 of the

*Illinois School Code* (105 ILCS 5/20-9) refers to re-creating a Working Cash Fund which has been “abolished or abated.” Accordingly, “implicit in the provisions of Section 20-9...is the authority to abate a Working Cash Fund.” (*In re Application of Walgenbach* (1984), 104 Ill.2d 121, 125.) Since the balance of the Fund when abolished is transferred to the Educational Fund, it follows that any balance transferred from the Fund when abated is to be deposited in the Educational Fund as well.

### **Other Working Cash Fund Limitations**

**S**ection 20-6 of the *Illinois School Code* (105 ILCS 5/20-6) contains strong penalties for any member of a school board or any other person holding any office, trust, or employment under a school district who is found guilty of willful violation of any of the provisions of Article 20 (the Working Cash Fund).

Further limitations to the Working Cash Fund are included in the Tax Anticipation Note Act (50 ILCS 420/0.01). These limitations affect Working Cash Fund transfers when tax anticipation notes have been issued. The following is an excerpt from Section 5 of the Act:

Whenever the unit of government has established a Working Cash Fund, as provided by law, the tax rate shall not be reduced below the amount necessary to reimburse any money borrowed from the Working Cash Fund. It shall be the duty of the clerk or secretary of the unit of government, annually, not less than 30 days prior to the tax extension date, to certify to the county clerk the amount of money borrowed from the Working Cash Fund to be reimbursed from the specific tax levy. No reimbursement shall be made to the Working Cash Fund until there has been accumulated from the tax levy to pay the notes an amount sufficient to pay the principal of and interest on the notes to maturity. At such time as there are no notes outstanding, all proceeds of such levy shall be applied for the specific purpose or purposes for which the notes were issued.

## What Are The Short-Term Debt/Borrowing Alternatives?

The issuance of short-term debt by an Illinois school district is governed by specific statutory provisions and related regulations. When borrowing becomes necessary, care must be given to understand: (1) the applicable debt instrument(s) given the district's unique needs; (2) the amount of time such borrowing may be necessary; and (3) how borrowing will impact the district's overall borrowing authority.

The following summary of short-term debt/borrowing alternatives is meant to provide a general overview of the available options. Additional assistance may be required from the school district's attorney, accountant, and/or lender.

Section 18-18 of the *Illinois School Code* (105 ILCS 5/18-18) limits school districts' issuance of state aid anticipation certificates, general obligation notes, and tax anticipation warrants so that the total amount of state aid certificates, notes, and warrants outstanding for any fiscal year may not exceed 85% of the taxes levied by the district for that year.

One exception to this limitation exists. Any district may now borrow up to 100% of the amount of General State Aid to be received in July even if it has borrowed to its maximum level as described above.

A district is also limited in the amount which can be accumulated in the Working Cash Fund. Whether through the sale of working cash bonds or through annual levy, the maximum amount that can be accumulated in the Working Cash Fund is 85% of the taxes permitted to be levied for educational purposes for the then current year plus 85% of the district's last known Corporate Personal Property Replacement Tax entitlement (Section 20-2 of the *Illinois School Code*/105 ILCS 5/20-2).

### Interfund Loans

The *Illinois School Code* authorizes school districts to make interfund loans as follows:

- Operations and Maintenance Fund to the Educational Fund or the Transportation Fund or the Fire Prevention and Safety Fund (Section 10-22.33 of the *Illinois School Code*/105 ILCS 5/10-22.33),
- Educational Fund to the Operations and Maintenance Fund or the Transportation Fund or the Fire Prevention and Safety Fund (Section 10-22.33 of the *Illinois School Code*/105 ILCS 5/10-22.33),
- Transportation Fund to the Educational Fund or the Operations and Maintenance Fund or the Fire Prevention and Safety Fund (Section 10-22.33 of the *Illinois School Code*/105 ILCS 5/10-22.33), or



- Working Cash Fund to any fund of the district for which taxes are levied (Section 20-4 of the *Illinois School Code*/105 ILCS 5/20-4).

Monies that are temporarily idle and/or surplus in specific funds may be loaned to cover anticipated interim needs in certain other funds, as cited above. Such monies, excluding Working Cash Fund loans, must be repaid to the proper fund within three years. Working Cash Fund loans must be repaid upon the collection of anticipated taxes. Exceptions to the payment of Working Cash Fund loans exist when tax anticipation notes are outstanding.

Even though interfund loans can be made to the Fire Prevention and Safety Fund, no interfund loans are permitted to be made from the Fire Prevention and Safety Fund.

Interfund loans require appropriate authorization by the board of education of the district.

### Tax Anticipation Warrants (TAWs)

**W**hen there is no money in the treasury to pay the necessary expenses of the district, a school board may issue warrants or may provide a fund by issuing and disposing of warrants drawn against, and in anticipation of, any taxes levied for payment of necessary district expenses for transportation, educational, fire prevention and safety, and operations and maintenance purposes, or for payments to the Illinois Municipal Retirement System (but not the Social Security System), or for payments of maturing principal and interest of bonds. Warrants may be issued to a legal maximum of 85% of the total amount of the tax levied less the amount available for loan in or loaned from the Working Cash Fund.

The warrants show upon their face that they are payable in the numerical order of their issuance solely from such taxes when collected. Taxes must be set aside and held for warrant payment. Every warrant bears interest payable out of the taxes against which it is drawn at a rate not exceeding the greater of 9%, or 125% of the General Obligation Bonds Index of average municipal bond yields, per annum from the date of issuance until paid, or until notice is given that the money for the warrant is available (Section 17-16 of the *Illinois School Code*/105 ILCS 5/17-16).

### General Obligation Tax Anticipation Warrants

**G**eneral Obligation Tax Anticipation Warrants are authorized by the Debt Reform Act.

The warrants bear a specified due date and are secured by a levy of ad valorem taxes upon all taxable property in the district without limit as to rate or amount. No additional money should accrue to the district as a result of the tax levied to pay general obligation warrants because when the warrants are issued, the county clerk is instructed to reduce the specific tax rate by the percentage necessary to produce an amount to pay the



principal of and interest on the warrants. A district may not issue general obligation tax anticipation warrants in excess of the 85% formula described above.

Under the Debt Reform Act, a district may issue refunding warrants or general obligation bonds to refund warrants should taxes or other revenues be delayed or insufficient to pay the warrants. The refunding warrants or bonds may also be secured by a levy of ad valorem taxes upon all taxable property in the district without limit as to rate or amount or, for a district subject to the Extension Limitation Law, may be issued as limited bonds.

Warrants initially issued are not regarded as or included in any computation of indebtedness for the purpose of any statutory provision or limitation. Refunding warrants and general obligation bonds issued to refund warrants may be issued without regard to existing debt limitations. Upon being issued, however, such general obligation refunding bonds or warrants must be included and regarded as indebtedness.

### **Issuance of Notes, Bonds, or Other Obligations in Lieu of Tax Anticipation Warrants**

In lieu of issuing tax anticipation warrants in accordance with Section 17-16 of the *Illinois School Code* (105 ILCS 5/17-16), the school board of a school district may issue notes, bonds, or other obligations (and in connection with that issuance, establish a line of credit with a bank) in an amount not to exceed 85% of the amount of property taxes most recently levied for educational and building purposes. Moneys thus borrowed shall be applied to the purposes for which they were obtained and no other purpose. All moneys so borrowed shall be repaid exclusively from property tax revenues within 60 days after the property tax revenues have been received by the board.

The borrowing shall bear interest at a rate not to exceed the maximum rate authorized by the Bond Authorization Act (30 ILCS 305), from the date of issuance until paid.

Prior to the board borrowing or establishing a line of credit, the board shall authorize, by resolution, the borrowing or line of credit. The resolution shall set forth facts demonstrating the need for the borrowing or line of credit, state the amount to be borrowed, establish a maximum interest rate limit not to exceed the maximum rate authorized by the Bond Authorization Act, and provide a date by which the borrowed funds shall be repaid. The resolution shall direct the relevant officials to make arrangements to set apart and hold the taxes, as received, which will be used to repay the borrowing. In addition, the resolution may authorize the relevant officials to make partial repayments of the borrowing as the taxes become available and may contain any other terms restrictions, or limitations not inconsistent with the provisions of Section 17-17 of the *Illinois School Code* (105 ILCS 5/17-17).

## Tax Anticipation Notes (TANs)

School districts are authorized to issue *general obligation* notes in an amount (including principal, interest, and costs of note issuance) not to exceed 85% of the taxes levied less the amount available for loan in or loaned from the Working Cash Fund. Anticipation notes may be issued in anticipation of all taxes, including those for which tax anticipation warrants may not be issued. No notes shall be issued during any fiscal year in which tax anticipation warrants are outstanding against the tax levied for the fiscal year.

Anticipation notes bear interest at a rate not exceeding the greater of 9%, or 125% of the General Obligation Bonds Index of average municipal bond yields. Notes must mature within two years. A board of education is required to adopt a resolution fixing the amount of notes, the date and the maturity date, the rate of interest (unless the notes are to be sold by public bid), the place of payment, and the denomination (in equal multiples of \$1,000). The board resolution must also provide for the levy and collection of a direct annual tax upon all taxable property in the district sufficient to pay the principal and interest on the notes to maturity (30 ILCS 305/2).

When tax anticipation notes are outstanding, it is the duty of the county clerk to reduce a district's specific tax rate by the percentage necessary to produce an amount to pay the principal and interest on the outstanding notes. When the district has established a Working Cash Fund, the tax rate is not reduced below the amount necessary to reimburse any money borrowed from the Working Cash Fund. It is the duty of the clerk or secretary of the district annually, and not less than 30 days prior to the tax extension date, to certify to the county clerk the amount of money borrowed from the Working Cash Fund that is to be reimbursed from the specific tax levy. No reimbursement may be made to the Working Cash Fund until an amount sufficient to pay the principal of, and interest on, the notes to maturity has been accumulated from the tax levy.

The notes are executed in the name of the district by manual or facsimile signatures of district officials designated by the resolution. At least one signature on each note must be a manual signature. The notes may be issued in excess of any statutory debt limitation and do not operate to reduce the authority to incur debt otherwise authorized for the district. The issuance of notes does not require a referendum (50 ILCS 420/5, 50 ILCS 420/6, and 50 ILCS 420/7).

## State Aid Anticipation Certificates

Section 18-18 of the *Illinois School Code* (105 ILCS 5/18-18) allows school districts to issue a type of short-term debt known as State Aid Anticipation Certificates. Using certificates, money is loaned to a district against anticipated General State Aid payments. The certificates have the following general characteristics:

- Certificates may not be outstanding for more than 13 months.
- Certificates are payable solely from General State Aid payments.

- Certificates may be issued without referenda.
- The amount of certificates to be issued may not exceed 75% of the state aid allocated to the school district for that year as certified by the state superintendent after subtracting the amount of funds available for transfer from the district's Working Cash Fund.
- The amount of certificates plus the amount of funds transferred from or available for transfer from the district's Working Cash Fund, plus the amount of the district's general obligation notes and tax anticipation warrants outstanding for the year may not exceed 85% of taxes levied by the district for that year.
- The board, prior to issuing the certificates, must adopt a resolution designating the purposes for which the proceeds of the certificates are to be expended, the amount to be issued, maturity dates, rate of interest, and other optional provisions.
- Upon the issuance of said certificates, the board shall give written notification to the appropriate regional superintendent and the state superintendent of education of the issuance of the certificates and the terms thereof, including, but not limited to, any assignment of state aid payments made pursuant to this Section, the name and address of each assignee, the amounts and dates of the payments to be made by the state superintendent of education directly to each assignee under Section 18-11 [105 ILCS 5/18-11], the amount of the certificates held by each assignee and the maturity date of the certificates.
- Districts may borrow up to 100% of their July state aid payments; these loans must be repaid by August 1.

### **Revenue Anticipation Notes (RANs)**

The Anticipation of Revenue Act, commonly referred to as Revenue Anticipation Notes (RANs), (50 ILCS 425/1 et seq.) authorizes units of local government and school districts to issue obligations to anticipate revenue from any sources including, but not limited to, federal aid, state revenue sharing, local taxes and fees.

Anticipatory obligations issued against such expected revenues for any purpose shall not exceed 85% of such revenues. Written assurance of the amount of revenue to be received from a particular source must be filed with the proper county clerk before the obligations can be issued.

Obligations issued under this Act shall be due not more than 12 months from the date of issue and shall bear interest at a rate not exceeding the maximum rate authorized by the Bond Authorization Act (30 ILCS 305/0.01) at the time of issuance. No notes shall be issued or sold, unless such issuance and sale is authorized by a vote of at least 2/3 of the members of the school board.

Several duties are imposed upon the treasurer of the district including authentication of notes and coupons, providing certificates of authenticity, keeping a registry of each series of notes issued, transmitting funds to pay principal and interest, and insuring that notes are paid.

Severe penalties are provided if notes are issued in excess of the limitations. Any official of the unit of local government or school district who votes for or otherwise influences the issuance of notes under this Act in excess of the limitations provided in the Act..."shall be liable for twice the sum of such excessive notes to the unit of local government or school district as the case may be and shall be ineligible for his office and be subject to removal from office."

## **Personal Property Replacement Tax Notes**

**P**ersonal property replacement tax notes may be issued in an amount not to exceed 75% of the entitlement of replacement taxes anticipated for the year less the amount available for loan in or loaned from the Working Cash Fund.

The entitlement amount must be certified by the director of the Illinois Department of Revenue. If the entitlement has not yet been certified, notes may be issued based upon 90% of the last known entitlement as certified by the director of the Illinois Department of Revenue (50 ILCS 420/4.1).

## **Teacher/Employer\* Orders**

**T**eachers' orders are, in effect, promissory notes for wages due, paid in lieu of cash or a check to a teacher. Wages of teachers are paid in a manner agreed upon by the school board, but at least one payment must be made during each school month. The board issues and delivers an order to the school treasurer for the amount of salary due. Teachers' orders must be issued when due, even though there is no money in the Educational Fund, and the orders become a liability against future Educational Fund revenue of the district.

The school treasurer cannot pay out funds of a district except upon an order of the school board signed by the president and clerk, or secretary, or by a majority of the board. When teachers' orders are presented to the treasurer and cannot be paid because of lack of funds, the treasurer endorses the orders over his or her signature "not paid for want of funds," marks the date of presentation and records the endorsements. After an endorsement, the order becomes negotiable and bears interest not exceeding the greater of 9%, or 125% of the General Obligation Bonds Index of average municipal bond yields per annum. The order remains outstanding and interest accumulates until the treasurer notifies the clerk or secretary, in writing, that he or she has funds to pay the order. The order draws no interest after notice is given to the clerk or secretary (Section 8-16 of the *Illinois School Code*/105 ILCS 5/8-16).

\* Charter school districts having a population of less than 500,000 may issue to teachers and other employees of the district orders in payment of salaries (Section 32-4.14 of the *Illinois School Code*/105 ILCS 5/32-4.14).

## What Is The Limitation of Administrative Costs?

Under provisions of Section 17-1.5 of the *Illinois School Code (105 ILCS 5/17-1.5)*, each school district's budgeted administrative expenditures can not increase more than 5% over their prior year actual administrative expenditures.

Administrative costs are expenditures properly attributable to specific expenditure functions as defined in the *Illinois Program Accounting Manual*. The following functions are included under "administrative expenditures" as prescribed by statute:

### Function

- 2320 Executive Administration Services (example: Superintendent & Assistants)**
- 2330 Special Area Administration Services (example: Supervisor - Federal Programs, Special Programs & Title Programs)**
- 2490 Other Support Services - School Administration (example: Department Heads and Deans [not principals])**
- 2510 Direction of Business Support Services (example: Chief School Business Officials and Business Manager)**
- 2570 Internal Services (example: Distributing supplies, duplicating, etc. for the school system)**
- 2610 Direction of Central Support Services (example: Director / Manager of Planning, Information Services, Staff Services, etc.)**

Expenditures should include salaries, employee benefits, purchased services, supplies and materials, capital outlay, and other objects. Explanations and object descriptions may be found in the *Illinois Program Accounting Manual*. The Limitation of Administrative Costs legislation also states that state-mandated retirement costs are not included, e.g., payments to the Teachers' Retirement System (TRS) and the Illinois Municipal Retirement System (IMRF).

School districts with administrative expenditures per pupil in the 25th percentile and below (the fourth quartile) for all districts of the same type (elementary, high school, unit) may waive the limitation imposed under Section 17-1.5 for any year following a public hearing. Waiver of this limitation requires the affirmative vote of at least two-thirds of the members of the school board for each applicable year. Any district waiving the limitation shall notify the State Board of Education within 45 days of such action.



Districts should first determine that the administrative costs will increase more than 5% prior to waiving the limitation. ISBE is required by statute to publish a list of all school districts waiving the limitation.

If a school district that is ineligible to waive the limitation on administrative expenditures by board action exceeds the limitation imposed by Section 17-1.5 solely because of circumstances beyond the control of the district and the district has exhausted all available and reasonable remedies to comply with the limitation, the district may request a waiver pursuant to Section 2-3.25g of the *Illinois School Code* (105 ILCS 5/2-3.25g). If approved, this waiver shall only apply to the specific school year for which the request is made.

If the report and information required by Section 17-1.5 are not submitted on time or are determined to be incomplete or inaccurate, the district shall be notified in writing of the reporting deficiencies. Within 60 days of notification, the school districts must provide adequate assurance that corrective action has been or will be taken. If a school district fails to provide adequate assurance or to undertake the necessary corrective actions, the State Superintendent may impose progressive sanctions, which may culminate in withholding all subsequent payments of General State Aid until the assurance is provided or the corrective actions are taken.

School districts shall file with the State Board of Education by November 15<sup>th</sup> of each year a one page report that lists:

- The actual administrative expenditures for the prior year from the district's audited Annual Financial Report.
- The projected administrative expenditures for the current year from the budget adopted by the school board.



See Exhibit 4

# Exhibit 1a School District Budget Form (ISBE 50-36)

## COVER PAGE

**Basis of Accounting**

☐ CASH BASIS  
☐ GAAP BASIS

ILLINOIS STATE BOARD OF EDUCATION  
School Finance Department  
School Business and Support Services Division  
100 North First Street  
Springfield, Illinois 62777-0001

**SCHOOL DISTRICT BUDGET FORM\***  
July 1, 20 - June 30, 20

Budget of \_\_\_\_\_ School District \_\_\_\_\_, County of \_\_\_\_\_,  
State of Illinois, for the Fiscal Year beginning July 1, 20 and ending June 30, 20.

**Fiscal Year**

~~~~~

**Date of Public Hearing**

AND WHEREAS a public hearing was held as to such budget on the \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_  
notice of said hearing was given at least thirty days prior thereto as required by law, and all other legal requirements  
have been complied with;

~~~~~

NOW, THEREFORE, Be it resolved by the Board of Education of said district as follows:

Section 1: That the fiscal year of this School District be and the same hereby is fixed and declared to be  
beginning July 1, 20 and ending June 30, 20.

**Fiscal Year**

# Exhibit 1b School District Budget Form (ISBE 50-36)

## COVER PAGE

**Date of Budget Adoption**

### ADOPTION OF BUDGET

*The Budget shall be approved and signed below by Members of the School Board.*

Adopted this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_ by a roll call vote of \_\_\_\_\_ Yeas, and \_\_\_\_\_ Nays, to wit:



**Board of Education adopts budget and signs cover page**

| MEMBERS VOTING YEA: | MEMBERS VOTING NAY: |
|---------------------|---------------------|
|                     |                     |
|                     |                     |

**A certified copy of the adopted budget, as well as, the estimate (certified by the chief fiscal officer) of revenues, by source, anticipated to be received by the district in the following fiscal year are filed with the county clerk(s).**

\* Based on the Illinois Program Accounting Manual for Local Education Agencies (LEAs) as required by Section 17-1 of the School Code. A certified copy of this document must be filed with the county clerk within 30 days of adoption as required by Section 18-50 of the Property Tax Code (35 ILCS 200/18-50).

ISBE 50-36 (5/2003)  
SB04\_r8 (9/30/03)

**Form and version number with applicable update reference**



## Exhibit 2 School District Budget Form (ISBE 50-36)

### Part I – Estimated Receipts/Revenues

| Description  | Acct No | (10)<br>Educational | (20)<br>Operations & Maintenance | (30)<br>Bond & Interest |
|--|---------|---------------------|----------------------------------|-------------------------|
| <b>RECEIPTS/REVENUE FROM LOCAL SOURCES</b>               | 1000    |                     |                                  |                         |
| <b>AD VALOREM TAXES LEVIED BY LOCAL EDUCATION AGENCY</b> |         |                     |                                  |                         |

**Receipts/Revenue (Local Sources)** points to the Description column.

**Account Number** points to the Acct No and the functional area columns (10, 20, 30).

**Fund and applicable reference number** points to the shaded area below the functional area columns.

### Part II – Estimated Disbursements/Expenditures

| Description   | Funct No | (1)<br>Salaries | (2)<br>Employee Benefits | (3)<br>Purchased Services |
|---|----------|-----------------|--------------------------|---------------------------|
| <b>EDUCATIONAL FUND (10)</b>                                      |          |                 |                          |                           |
| <b>INSTRUCTION</b>  | 1000     |                 |                          |                           |
| 1. Regular Programs   | 1100     | [644]           | [702]                    | [760]                     |
| 2. Special Education Programs<br>(Total of Function No 1200-1220) | 1200     |                 |                          |                           |
| 3. Educationally Deprived/Remedial Programs                       | 1250     |                 |                          |                           |
| 4. Adult/Continuing Education Programs                            | 1300     |                 |                          |                           |
| 5. Vocational Programs  | 1400     |                 |                          |                           |
| 6. Interscholastic Programs                                       | 1500     |                 |                          |                           |
| 7. Summer School Programs   | 1600     |                 |                          |                           |
| 8. Gifted Programs  | 1650     |                 |                          |                           |
| 9. Bilingual Programs   | 1800     |                 |                          |                           |
| 10. Truant Alternative & Optional Programs                        | 1900     |                 |                          |                           |
| <b>11. TOTAL INSTRUCTION</b>                                      |          |                 |                          |                           |

**Fund and applicable reference number** points to the EDUCATIONAL FUND (10) row.

**Object and applicable reference number** points to the shaded area below the functional area columns.

**Field numbers for reference purposes** points to the field numbers [644], [702], and [760] in the Regular Programs row.

**Function – Expenditures are limited and related programmatic costs must be allocated to appropriate functional areas** points to the shaded area below the functional area columns.

# Exhibit 3a School District Budget Form (ISBE 50-36)

## Part III – Budget Summary

Update with each filing

☐ Original Budget  
☐ Amended Budget      Date: \_\_\_\_\_

**FUND BALANCE –**  
 What the district owns/equity at the beginning of the year.

How much better or worse the district is after operating for the year.

**FUND BALANCE –**  
 What the district owns/equity at the end of the year.

| Description  | Acct No | (10) Educational |
|--|---------|------------------|
| <b>ESTIMATED FUND BALANCE</b>  |         | [656]            |
| <b>1. July 1, 20<sup>A</sup></b>   |         |                  |
| <b>RECEIPTS/REVENUES</b>   |         | [2490]           |
| 2. Local Receipts  | 1000    | 0                |
| 3. Flow-Through Receipts/Revenue from One LEA to Another LEA                                 | 2000    | [3344]           |
| 4. State Sources   | 3000    | [2492]           |
| 5. Federal Sources   | 4000    | [2493]           |
| <b>6. TOTAL DIRECT RECEIPTS/REVENUES</b>   |         | [2494]           |
| 7. Receipts/Revenues for "On Behalf of" Payments <sup>B</sup>                                | 3998    | [4052]           |
| <b>8. TOTAL RECEIPTS/REVENUES</b>  |         | [4051]           |
| <b>DISBURSEMENTS/EXPENDITURES</b>  |         | [2495]           |
| 9. Instruction   | 1000    | 0                |
| 10. Support Services   | 2000    | [2496]           |
| 11. Community Services   | 3000    | [2497]           |
| 12. Nonprogrammed Charges  | 4000    | [2498]           |
| 13. Debt Services  | 5000    | [2499]           |
| 14. Provision for Contingencies  | 6000    | 0                |
| <b>15. TOTAL DIRECT DISBURSEMENTS/EXPENDITURES</b>   |         | [2500]           |
| 16. Disbursements/Expenditures for "On Behalf of" Payments <sup>B</sup>                      | 4180    | [4070]           |
| <b>17. TOTAL DISBURSEMENTS/EXPENDITURES</b>  |         | [4076]           |
| <b>18. Excess of Direct Receipts/Revenues Over (Under) Direct Disbursements/Expenditures</b> |         | [2501]           |
| <b>25. Other Uses</b>  |         | 8190             |
| <b>26. TOTAL OTHER FINANCING SOURCES AND USES<sup>C</sup></b>                                |         | 0                |
| <b>27. ESTIMATED FUND BALANCE June 30, 20<sup>D</sup></b>                                    |         | 0                |

Revenue Sources

Expenditure Functions

Summary pages automatically calculate

## Exhibit 3b School District Budget Form (ISBE 50-36)

### Part IV – Summary of Cash Transactions

| Description  | Acct No | Fund             |
|--|---------|------------------|
| <b>EST. BALANCE ON HAND JULY 1, 20</b>   | 101-5   | (10) Educational |
| 1. (Cash plus Investments at Cost) <sup>e</sup>  | 180     |                  |
| <b>2. TOTAL DIRECT RECEIPTS AND OTHER FINANCING SOURCES <sup>f</sup></b>                                     |         | 0                |
| Add Other Receipts:  | 430     |                  |
| 3. Loans from Other Funds  |         |                  |
| 4. Loans Repayments from Other Funds   | 150     |                  |
| ~~~~~  |         |                  |
| 10. Other (Attach Itemization)   | 499     |                  |
| <b>11. TOTAL OTHER RECEIPTS (Total of Lines 3-10)</b>  |         | 0                |
| <b>12. TOTAL DIRECT RECEIPTS, OTHER FINANCING SOURCES, AND OTHER RECEIPTS (Total of Lines 2 and 11)</b>      |         | 0                |
| <b>13. TOTAL AMOUNT AVAILABLE (Total of Lines 1 and 12)</b>  |         | 0                |
| <b>14. TOTAL DIRECT DISBURSEMENTS AND OTHER FINANCING USES <sup>g</sup></b>                                  |         | 0                |
| ADD OTHER DISBURSEMENTS:   | 150     |                  |
| 15. Loans to Other Funds <sup>h</sup>  |         |                  |
| 16. Loan Repayments to Other Funds   | 430     |                  |
| ~~~~~  |         |                  |
| 22. Other (Attach Itemization)   | 499     |                  |
| <b>23. TOTAL OTHER DISBURSEMENTS (Total of Lines 15-22)</b>  |         | 0                |
| <b>24. TOTAL DIRECT DISBURSEMENTS, OTHER FINANCING USES, AND OTHER DISBURSEMENTS (Total Lines 14 and 23)</b> |         | 0                |
| <b>25. Est. Balance on Hand June 30, 20</b>  |         |                  |
| (Cash Plus Investments at Cost) (Total of lines 13 less line 24)   |         | 0                |

ESTIMATED  
BALANCE ON  
HAND – What  
cash and  
investments  
the district  
has on hand at  
the beginning  
of the year.

ESTIMATED  
BALANCE ON  
HAND – What  
cash and  
investments  
the district  
has on hand at  
the end of the  
year.

No Negative  
Cash is  
allowed for an  
Estimated  
Balance on  
Hand –  
transfers must  
be made prior  
to beginning  
of fiscal year.

# Exhibit 4

## Limitation of Administrative Costs Worksheet

From the *School District Budget Form (ISBE 50-36)*

Budget information is copied to this page. Insert Actual Expenditures from last Fiscal Year to compute the Percentage increase (decrease).

**ILLINOIS STATE BOARD OF EDUCATION**  
Finance Center  
School Business and Support Services Division  
100 North First Street  
Springfield, IL 62777-0001

**ESTIMATE OF ADMINISTRATIVE COSTS**  
(Section 17-1.5 of the School Code)

NAME OF SCHOOL DISTRICT  
0

REGION-COUNTY-DISTRICT CODE NUMBER  
00-000-0000-00

| FUNCTION                              |      | Actual Expenditures, Fiscal Year |                                     |           | Budgeted Expenditures, Fiscal Year |                                     |           |
|---------------------------------------|------|----------------------------------|-------------------------------------|-----------|------------------------------------|-------------------------------------|-----------|
| DESCRIPTION                           | NO.  | Educational Fund (1)             | Operations and Maintenance Fund (2) | TOTAL (3) | Educational Fund (4)               | Operations and Maintenance Fund (5) | TOTAL (6) |
| Executive Administration              |      |                                  |                                     | 0         | 0                                  |                                     | 0         |
| 1. Services                           | 2320 |                                  |                                     | 0         | 0                                  |                                     | 0         |
| Special Area                          |      |                                  |                                     | 0         | 0                                  |                                     | 0         |
| 2. Administrative Services            | 2330 |                                  |                                     | 0         | 0                                  |                                     | 0         |
| Other Support Services -              |      |                                  |                                     | 0         | 0                                  |                                     | 0         |
| 3. School Administration              | 2490 |                                  |                                     | 0         | 0                                  |                                     | 0         |
| Direction of Business                 |      |                                  |                                     | 0         | 0                                  | 0                                   | 0         |
| 4. Support Services                   | 2510 |                                  |                                     | 0         | 0                                  |                                     | 0         |
| 5. Internal Services                  | 2570 |                                  |                                     | 0         | 0                                  |                                     | 0         |
| Direction of Central                  |      |                                  |                                     | 0         | 0                                  |                                     | 0         |
| 6. Support Services                   | 2610 |                                  |                                     | 0         | 0                                  |                                     | 0         |
| DEDUCT - Early Retirement or Other    |      |                                  |                                     | 0         |                                    |                                     | 0         |
| 7. Pension Obligations Included Above |      |                                  |                                     | 0         |                                    |                                     | 0         |
| 8. TOTALS                             |      | 0                                | 0                                   | 0         | 0                                  | 0                                   | 0         |
| Percent Increase (Decrease) for FY 1  |      |                                  |                                     |           |                                    |                                     |           |
| 9. (Budgeted) over FY (Actual)        |      | Enter Actual Data                |                                     |           |                                    |                                     |           |

**NOTE:** This page is provided as a working copy only. The actual "Limitation of Administrative Cost Worksheet" is attached to the end of the Annual Financial Report (Form 50-35) and must be submitted in conjunction with the Annual Financial Report.

The above copy, included in the Budget, is only a working copy

The below copy, included in the Annual Financial Report, must be filed by school district with ISBE by November 15<sup>th</sup>

**ILLINOIS STATE BOARD OF EDUCATION**  
School Business and Support Services Division  
100 North First Street  
Springfield, IL 62777-0001

School District Name: \_\_\_\_\_  
School District Number: \_\_\_\_\_

| LIMITATION OF ADMINISTRATIVE COSTS WORKSHEET<br>(Section 17-1.5 of the School Code) |            | Actual Expenditures, Fiscal Year 2004 |                                  |       | Budgeted Expenditures, Fiscal Year 2005 |                                       |       |
|---|------------|---------------------------------------|----------------------------------|-------|---|---------------------------------------|-------|
| Description   | Funct. No. | (10)<br>Educational Fund              | (20)<br>Operations & Maintenance | Total | (10)<br>Educational Fund                | (20)<br>Operations & Maintenance Fund | Total |
| 1. Executive Administration Services  | 2320       |                                       |                                  | 0     |   |                                       | 0     |
| 2. Special Area Administration Services   | 2330       |                                       |                                  | 0     |   |                                       | 0     |
| 3. Other Support Services - School Administration                                   | 2490       |                                       |                                  | 0     |   |                                       | 0     |
| 4. Direction of Business Support Services   | 2510       |                                       |                                  | 0     |   |                                       | 0     |
| 5. Internal Services  | 2570       |                                       |                                  | 0     |   |                                       | 0     |
| 6. Direction of Central Support Services  | 2610       |                                       |                                  | 0     |   |                                       | 0     |
| 7. Deduct - Early Retirement or Other Pension Obligations Included Above            |            |                                       |                                  |       |   |                                       | 0     |
| 8. Totals   |            | 0                                     | 0                                | 0     | 0                                       | 0                                     | 0     |
| 9. Percent Increase (Decrease) for FY2005 (Budgeted) over FY2003 (Actual)           |            |                                       |                                  |       |   |                                       | 0%    |

### CERTIFICATION

I certify that the amount shown above as "Actual Expenditures, Fiscal Year 2004" agree with the amounts shown on the districts Annual Financial Report for Fiscal Year 2004. I also certify that the amounts shown above as "Budgeted Expenditure, Fiscal Year 2005" agree with the amounts on the budget adopted by the Board of Education on (Note: Sign only where applicable)

(Date)

Signature of Superintendent

I certify that this district is ranked by ISBE in the lowest 25th percentile of like districts in administrative expenditures per student and that the Board of Education subsequent to a public hearing, has waived the requirements of the Limitation of Administrative Costs legislation for the above fiscal year.

(Date)

Signature of Superintendent

I certify that this district has requested a waiver pursuant to Chapter 105 ILCS 50-3.25g.

(Date)

Signature of Superintendent

## Exhibit 5

### Procedures for Preparing the Annual Budget

The following examples are included as samples only. Prior to using, school districts should consult their attorneys to ensure applicability with their specific situations.

#### **Establishing Fiscal Year**

The board of education shall establish a fiscal year for the school district under the provisions of Section 17-1 of the *Illinois School Code* (105 ILCS 5/17-1). The fiscal year is established as July 1 of one year through June 30 of the following year.

#### **Designation of a Person or Persons to Prepare Tentative Budget**

The board of education, by resolution, shall designate some person or persons to prepare a tentative budget. A **sample** resolution follows:

BE IT RESOLVED by the Board of Education of School District Number \_\_\_\_\_ in the County of \_\_\_\_\_, State of Illinois, that \_\_\_\_\_ is hereby appointed to prepare a tentative budget for said School District for the fiscal year beginning \_\_\_\_\_, 20\_\_, and ending \_\_\_\_\_, 20\_\_, which tentative budget shall be filed with the Secretary of this Board.

Such budget shall be prepared in tentative form by some person or persons designated by the board, and in such tentative form shall be made conveniently available to public inspection for at least 30 days prior to final action thereon.

#### **Notice of the Availability of Tentative Budget for Public Inspection and Public Hearing**

The board of education is to hold at least one public hearing on the proposed budget prior to final action. A notice of availability for public inspection of the tentative budget and of such public hearing is given by publication in a newspaper published in the district, at least 30 days prior to the time of the hearing. The notice states where, when and during what hours the tentative budget will be on display for public inspection and where, when and at what time the budget hearing will be held. If there should not be a newspaper published in the district, notice is to be given by posting notices thereof in five of the most public places of the district,

Notices of the public hearing, whether published or posted, should read substantially as follows:

### Notice of Public Hearing

NOTICE IS HEREBY GIVEN by the Board of Education of School District Number \_\_\_\_, in the County of \_\_\_\_, State of Illinois, that tentative budget for said School District for the fiscal year beginning \_\_\_\_, 20\_\_, will be on file and conveniently available to public inspection at \_\_\_\_\_, Illinois in this School District  
Address City

from and after \_\_\_\_ o'clock \_\_\_\_ m., on the \_\_\_\_ day of \_\_\_\_, 20\_\_. Notice is further hereby given that a public hearing on said budget will be held at \_\_\_\_ o'clock \_\_\_\_ m., on the \_\_\_\_ day of \_\_\_\_, 20\_\_, at \_\_\_\_ in this School District Number \_\_\_\_,. Dated this \_\_\_\_ day of \_\_\_\_, 20\_\_. Board of Education of School District Number \_\_\_\_, in the County of \_\_\_\_, State of Illinois.

By \_\_\_\_\_  
Secretary

### **Adoption of Annual Budget**

The budget shall be approved and signed by members of the School Board as provided on the cover page of the *School District Budget Form (ISBE 50-36)*.

Adopted this \_\_\_\_ day of \_\_\_\_ 20\_\_ by a roll call vote of \_\_\_\_ Yeas, and \_\_\_\_ Nays, to wit:

| MEMBERS VOTING YEA: | MEMBERS VOTING NAY: |
|---------------------|---------------------|
|                     |                     |
|                     |                     |
|                     |                     |
|                     |                     |

### **New provisions, effective July 1, 2006 for filing annual budget and deficit reduction plan with ISBE.**

Section 17-1 of the School Code (105 ILCS 5/17-1), as amended by Public Act 94-0234 - effective July 1, 2006, includes a new requirement that the school district's adopted (or amended) budget for Fiscal Year 2006-07, and each year thereafter, must be filed with ISBE within 30 days of local board action. This is in addition to: (1) filing a certified copy with the county clerk(s); and (2) posting the budget on the district's internet website, if created.

The new provision has an additional requirement that to the extent the school district's budget is not balanced; the local board of education must also formally adopt a "deficit reduction plan" to balance the budget within three years. The deficit reduction plan is based on ISBE guidelines and must be filed concurrently with adopted annual budget.

### **Who Must Complete a Deficit Reduction Plan?**

A deficit reduction plan is necessary if the local board of education adopts (or amends) the 2006-07 budget in which the "operating funds" (Educational; Operations & Maintenance;

Transportation and Working Cash Funds) result in total direct revenues being less than total direct expenditures by an amount greater than one-third (1/3) of the ending fund balance (June 30, 2007). Note - amounts are determined using only the four funds listed above. If the estimated ending fund balance is not greater than three times the deficit spending, the district must also adopt and file with ISBE a deficit reduction plan to balance the budget within three year. The deficit reduction plan must be developed using ISBE guidelines and format.

Example: By combining the four operating funds, the result is total direct revenues equal \$2,500,000 and total direct expenditures equal \$2,750,000. The combined ending fund balance in the operating funds (June 30, 2007) must be at least \$750,000 (three times the deficit of \$250,000). If not, a deficit reduction plan is required.

### **What Format Is Used?**

ISBE provides the School District Budget Form (ISBE 50-36) and deficit reduction plan in a Microsoft Excel 2002 workbook. The Agency will support only Excel Version 97 (and higher) running under Windows 2000 or higher. The forms are available at the ISBE website <http://www.isbe.net/sfms/budget/2007/budget.htm>.

### **What Are The Filing Timelines To ISBE?**

The School District Budget Form ISBE (ISBE 50-36) and deficit reduction plan, if required, are filed with ISBE within 30 days of adoption (or amendment) by the local board of education. Upon request, the State Superintendent may extend the three year deadline to achieve a balanced budget if the situation warrants.

### **How Is Information Submitted To ISBE?**

The School District Budget Form ISBE (ISBE 50-36) and deficit reduction plan, if required, is to be transmitted electronically in an Excel workbook format using the ISBE attachment manager located at <http://www.isbe.net/sfms/budget/2007/budget.htm>.

1. Under Internet Submission Select “**Submit budget via ISBE Attachment Manager**” and complete all required information on the screen.

Under “Receiver Information”: Select **SCHOOL FINANCIAL REPORTS GROUP**.

Under “Attachments” either type in the file names to be submitted or use the browse function to locate the files.

2. When the submission is completed, a notification immediately follows that the file was submitted successfully. This will be the receipt and should be printed. Notify ISBE if the submission was completed and no notification was received.
3. All budgets and deficit reduction plans, if required, should be named with the LEAs eleven-digit number.

### **What Are Deficit Reduction Plan Guidelines?**

Budgetary Targets - The deficit reduction plan should be developed around targeted revenues and expenditures that reduce the combined annual deficit in the operating funds. Using forms provided by ISBE, the estimated budgets for Fiscal Years 2007 through 2010 are to be completed.

Operating Funds Included Within The Plan:

- Educational (Fund 10)
- Operation & Maintenance (Fund 20)
- Transportation (Fund 40)
- Working Cash (Fund 70)

Current School Year – The remainder of the current year's budget should be examined for expenditure reductions such as a freeze on hiring, supplies and capital outlay. The budget estimates should be verified as this information will serve as baseline data for assessing changes in the remaining years of the deficit reduction plan.

Subsequent Years – For the next three school years, the budget figures should reflect a material reduction of the district's combined operating deficit. An estimate, by fund, for FY 08 through FY 10 is to be completed and constitutes the primary representation of the multi-year deficit reduction plan. A review of the district's fee structure/policy should also be made to determine estimated collections in future years.

Narrative of Budget Reductions/Assumptions – A brief description should be included to identify any areas of the budget that will be impacted from one year to the next. If the deficit reduction plan relies upon new local revenues, identify contingencies for further budget reductions which will be enacted in the event those new revenues are not available.

Assumptions should include the change in foundation level for General State Aid, change in equalized assessed valuation/tax rates, adjustment to salaries/benefits and any debt instrument which will be relied upon during the course of the deficit reduction plan.

Educational Impact - Provide an assessment of the impact the deficit reduction plan may have on the educational mission of the district. Discuss the extent of any educational courses and services which will be reduced. Provide assurances concerning the district's ability to meet the minimum requirements of state/federal law and sound practices with regard to educational services. (April 2006)

## **Budgeting Reminders**

- ✓ When presenting the budget to the board of education, justification (e.g. budgetary assumptions/rationale) should be available to support the tentative proposal. Explanations should be readily available for any large increases or decreases in line items. A comparison of line items budgeted to the previous year's actual amounts might be helpful.
- ✓ Remember - The budget is an estimate of revenues, expenditures and other financing sources/uses and should not be expected to come out exactly to the penny. The budget is a tentative outline or plan for the fiscal year.
- ✓ By board of education authority, budgeted amounts can be transferred to other line items within the same fund. These transfers can be made up to 10% of the total of that fund. Expending more than the budgeted total for a fund requires the budget to be amended using the same procedures as for the budget's original adoption.



- ✓ Use proper categories and account numbers that are consistent with the Illinois Program Accounting Manual (IPAM). Proper coding and reference to IPAM, eliminates the necessity to add lines on the *School District Budget Form (ISBE 50-36)*. Avoid using an incorrect number just because an amount was budgeted.
- ✓ Budgeting for “Provision for Contingencies (Function 6000)” in each fund is practical way to allow for unexpected expenditures. Use of this account will help eliminate overspending and often the need for a formal budgetary amendment.

Note: This account is not for recording entries, but is used as a means of identifying the amount of the contingency provision. Spending is not done directly from the budgeted contingency amounts. Transfers are made by board of education approval to the appropriate line items; with expenditures subsequently being made from those line items. The board is required to authorize line item transfer(s) in **any one fund** so long as transfers do not exceed in the aggregate 10% of the total of such fund as set forth in the budget.

### **Common Budget Problems**

- ✓ The potential need to distinguish differences between fund balances and cash (and investment) balances.
- ✓ The omission of beginning fund balances and/or cash (and investment) balances on Line 1 of Part III – Budget Summary and Line 1 of Part IV – Summary of Cash Transactions [*School District Budget Form (ISBE 50-36)*]
- ✓ The reporting of the cash (and investment) balances on Line 1 and/or Line 25 of Part IV – Summary of Cash Transactions at amounts (by fund) that are less than zero. Cash and investments must be greater than or equal to zero, by fund.
- ✓ The omission of interfund loans (or repayment of such loans) on Part IV – Summary of Cash Transactions.
- ✓ The reporting of short-term borrowing (original issuance & repayment of principal) as a receipt (revenue) and/or disbursement (expenditure).
- ✓ The omission of short and/or long-term debt issuances.
- ✓ The implementation of strong budgetary controls throughout the fiscal year. The budget should be monitored for any line-item variances.
- ✓ The absence of “zero-based” budgeting techniques to annually reevaluate ongoing programs and services.

## Hints to the School District Budget Summaries

| Budget Year |   | School Budget Reference |  |
|-------------|---|-------------------------|--|
| Q.          | How Much Money Is Available at the Beginning of the Year?         | A.                      | Estimated Cash Balance on Hand<br>Part IV, Line 1            |
| Q.          | How Much Does the District Own at the Beginning of the Year?      | A.                      | Estimated Fund Balance<br>Part III, Line 1                   |
| Q.          | How Much Short-Term (External) Debt Must Be Paid During the Year? | A.                      | Other Disbursements<br>Part IV, Total of Lines 17 Through 21 |